An e-publication for Colorado state employees

March 2006

When is Open Enrollment This Year?

Open Enrollment for the FY 07 plan year (July 1, 2006–June 30, 2007) will be April 24, 2006–May 19, 2006.

At this time, we do not know what the new premiums will be for health and dental, but we can say that some of the rates, but not all, will be higher. Again, this is due to the rising costs of healthcare nationally, how much employees use medical and dental benefits, the age of our employee population, and the fact that our plans cover employees in every county of the State.

When will we be able to let employees know the new premiums? Unfortunately, we cannot provide the exact rates until much closer to open enrollment. The State must finish analyzing current projections of risks and costs. Also, the final decision on what the State pays as an employer is currently in the hands of the State Legislature.

While the Executive Director of DPA makes the recommendations on the employer's contribution, it is the Legislature that approves that amount. If approved, it is typically done as part of a larger spending bill near the end of the legislative session.

When all of this is decided, we will provide the premiums along with the amount the State will contribute, giving you the final monthly cost you can expect to come out of your pay.

Please watch for upcoming issues of *HealthLine* for updates on premiums and the employer contribution.



Know Your Responsibilities (With Healthcare and Benefits)

By Jeffrey C. Schutt, Director Division of Human Resources

As the director of the Division of Human Resources, part of my responsibility is to assess appeals from employees regarding their benefits. The appeals vary: perhaps a new hire doesn't sign up for insurance in time; or an employee forgot to enroll their new infant in their insurance plan within the required 31-day timeframe. There have been many different situations concerning eligibility that have come before me, and I can say with certainty that these appeals are one of the most difficult parts of my job. The result may be a heart-wrenching health crisis for the employee, but there is little we can do when it comes to making exceptions. The State is bound by insurance rules and guidelines, and if a deadline has not been met, if a rule has been violated, if a procedure is not covered, the State can rarely make an exception.

Both the State and the state employee have responsibilities when it comes to healthcare, disability, and life insurance benefits. In an effort to help educate employees who have their healthcare coverage through the state, this four-part "Know Your Responsibilities" series will focus on being insured through the State of Colorado and the responsibilities of that coverage that we all share. I hope that it encourages state employees to better understand their health care coverage and mitigate some of the hardships that I have seen as a result of not acting within the guidelines.

The Employee's Responsibilities

State employees who choose insurance through the State have a few primary responsibilities:

- Know what the plan covers and what it does not-such as types of medical or dental procedures, prescriptions, etc. Information provided about an insurance plan—especially the Summary Plan Document (SPD)—details all aspects of a plan. While it likely falls into the same "fun" reading category as the text in a credit card application, or new income tax rules, the SPD contains all the information you need to be an informed consumer of the insurance coverage you pay for. Also understand that plans and their details are not static from yearto-year. As the State does its part to bring employees the best insurance plans with respect to cost versus coverage, employees must do their part to familiarize themselves with the benefit choices and their life situation each year.
- Make sure you give special attention to the specifics of your healthcare coverage during open enrollment each year, which this year is April 24 through May 19. This is the only time of year to make significant changes to your benefits.
- Additions or deletions to your plan can be made any time of the year, but only as a result of a major life change, such as marriage, divorce, or birth. At that time, the IRS mandated deadline

page 2 HealthLine

of 31 days from the date of the event is critical, and it cannot be extended for any circumstance, even for one day.

• If you have questions about a particular aspect of your coverage, it is up to you to find the answers. This is especially true if you have a particular medical condition.



What is insurance? It's a simple question with a complex answer. It is more than paying a monthly premium to receive services. Insurance is a protection against financial loss arising because of an unexpected event. The insurer collects premiums to provide for this "risk" protection from the people it insures. Claims are paid out of the premiums collected. In essence, insurance pays for covering risk by spreading that risk among large groups of insured people over a period of time. An insurer is in the business of covering the risk of uncertainties-and payout; be it health issues, death, or a car accident—with the premiums received.

As part of the "Know Your Responsibilities" campaign to educate state employees on health care benefits, posters such as this will be placed in high traffic areas within each agency.

(see Insurance on page 4)

Health Line page 3

(Insurance from page 3)

The State's Responsibilities

The State provides the coverage and the opportunity to enroll in that coverage. The State cannot make judgment calls about employees' individual situations, or what is best for you. The State's ultimate responsibility is to *all* of the participants in the benefit plans, as a group. If we bend a rule here, let someone slide there, we run the risk of serious federal sanctions, which is a disservice to all employees.

Every year the State must evaluate not only the insurance basics such as premiums and deductibles, but also the specifics of the plan, detailing what items are covered and which are not. Each plan year the State evaluates the plans, trying to balance costs with coverage and stay current with the prevailing practices in healthcare. As changes in coverage occur, they are implemented in the next coverage year. Medical technology is ever changing and the insurance industry changes with it. The majority of health plans do not typically cover procedures, treatments, and medications until their use becomes prevailing practice in the industry. The State works with the insurance companies and their medical professionals to make new determinations for the plans every year.

Health Insurance Evolution—About ten years ago, most plans, including the State, did not cover bone marrow transplants and today the procedure is covered. The difference? Bone marrow transplants have evolved from experimental to become a prevailing practice in the effective treatment of leukemia.

Important Deadlines

Open enrollment starts on April 24 and ends on May 19. Employees who are insured through the state's medical plans should research the options of each plan and become familiar with what they cover and what they do not. Realize that the plan you choose by May 19 (or by default, the plan in which you are currently enrolled) is the plan you will have for all of the next year. If you have a life change throughout the year, then you must make additions or deletions to your plans within 31 days of that life event. These choices take time, so please don't wait until the last day of open enrollment. I cannot stress enough that no exceptions can be made to our policies surrounding what is covered, or the enrollment deadline.

If you don't understand an aspect of your benefits, please ask your HR office, benefits administrator, or payroll officer. To find out more about what your plans do and do not cover, contact the insurance companies through their customer service telephone numbers or their Web sites. You can also find more information on the employee benefits Web site at www.colorado.gov/dpa/dhr/benefits.

Insurance benefits are likely one of the most costly things we pay for each month, yet people tend to take a passive approach to knowing what they are paying for. Becoming an educated consumer of your insurance benefits gives you the power to make these valuable benefits truly serve you best.

Next in the "Know Your Responsibilities" series: *Addressing eligibility for benefits.*

page 4 HealthLine

Health Savings Accounts (HSAs)

In the coming plan year, FY 07 (July 1, 2006–June 30, 2007) the State will continue to offer Health Savings Accounts (HSAs) through Mellon Financial, as well as the HSA-qualified High Deductible Health Plan (HDHP)—the PPO-H plan—that goes hand-in-hand with the HSA.

HSAs are a mechanism for saving money to pay for current health expenses while saving for future qualified medical health expenses on a tax-free basis. While they allow employees to set aside money for medical expenses, employees also decide how that money will be spent and how it will be invested. HSAs differ markedly from Flexible Spending Accounts (FSAs) in what constitutes qualified expenses. Also, unlike FSAs with their "use it or lose it rule" at the end of each plan year, the money in an HSA belongs to the account holder (employee) and can be rolled over from year to year.

Please visit our Web site www.colorado.gov/dpa/dhr/benefits for more in-depth information on these products so that you can decide if HSAs are right for you. And in the coming weeks, watch for HSA information specific to open enrollment and the new FY 07 plan year.

Facts About the State's HSA

- MUST be enrolled in PPO-H to participate in the State's HSA.
- **CANNOT** be enrolled in an HSA *and* medical FSA at the same time (does not apply to Dependent Care FSA, which are for costs such as day care, *not medical costs*).
- Maximum ANNUAL contribution is the plan-year deductible amount for the PPO-H. This means the monthly contribution limit is 1/12 of those deductibles. Individuals age 55 or older can make additional contributions directly through Mellon Financial.
- One-time set-up fee of \$10.00, monthly administrative fee of \$3.50 a month. Total fees for the first year equal \$52.00. These fees will be deducted from the HSA itself.
- With the State's plan, HSA deductions are post-tax, but contributions can be deducted on income taxes without itemizing.
- HSA deductions will not reduce earnings for retirement salary calculations.

HealthLine page 5

Information for Your Health— Be an Informed Healthcare Consumer

- Co-payments—A flat fee that an individual pays for health care services typically at the time service is provided. The Kaiser and San Luis Valley HMOs and the INO-30 and INO-40 plans use co-payments. Co-payments are specific amounts and apply to covered services only. They are typically associated with plans where you pay a higher monthly premium in exchange for less money out of your pocket when you go to the doctor.
- **Deductibles**—The amount an individual must pay for covered health care expenses before insurance begins to cover costs. The PPO-1500, PPO-3500 and PPO-H plans all have varying deductibles. Deductibles in health insurance work the same as deductibles in auto or home insurance.
- Co-insurance—A percentage that the individual is required to pay after a deductible is met. For example, a plan might require 20 percent co-insurance, meaning the employer or insurance company pays 80 percent, while the individual pays 20 percent. Co-insurance is applied to covered services only. For example, if you had a deductible of \$1,500, with 80–20 co-insurance, and you received covered services in the amount of \$5,000, you would pay the first \$1,500 plus 20 percent of the remaining \$3,500, or \$700, and the plan would pay \$2,800. Co-insurance is typically associated with PPOs, in which you pay a lower monthly premium than a co-payment plan, but pay more when you actually need services.
- Maximum out-of-pocket expenses—The maximum amount of money a person will pay for covered health claims, which is in addition to premium payments. Both co-payment plans and PPO plans can have out-of-pocket maximums. These maximums are usually the sum of deductibles and co-insurance payments or the sum of all co-payments. For example, the PPO-1500 plan has an individual, in-network deductible of \$1,500 and a \$7,000 individual, in-network out-of-pocket maximum. After the deductible is met, the plan pays 80% of costs, while the individual pays 20%. The \$1,500 deductible plus the claims for which a person pays 20% of the cost both count towards out-of-pocket expenses. When \$7,000 is reached, the plan then pays 100% of costs of covered services. Note that the plan does not pay for non-covered services.

To see more information on how you can be an informed healthcare consumer, visit our Web site www.colorado.gov/dpa/dhr/benefits and click on *Info for Your Health* in the "Hot Topics" box.

page 6 HealthLine

Retirement Choice

Recently, you may have heard about "Retirement Choice" from some of the State's newer employees. While this is a decision that employees hired on or after **January 1, 2006** must make, it is worth presenting all employees with some basic facts about what choices new hires now have.

What are the choices?

Employees hired after January 1, 2006, including temporary employees, now have three choices for their retirement contributions.

- State Defined Contribution Plan (State DC)
- PERA Defined Benefit Plan (PERA DB)*
- PERA Defined Contribution Plan (PERA DC)

Enrollment in any of these retirement plans is an *alternative* to Social Security. State of Colorado employees do not pay into Social Security.

What are some of the facts, rules and deadlines of Retirement Choice?

- Legislation passed in 2004 (SB04-257) brought Retirement Choice to State employees.
- Employees hired prior to January 1, 2006 are not eligible for Retirement Choice and must remain in their current retirement plans.
- New employees who have participated in any of the plans within the past 12 months before their hire date are ineligible for Retirement Choice. Such employees must continue with the plan in which they formerly participated.
- New hires must choose their retirement option within 60 calendar days of their hire date.
- If no choice is made, the employee will default to the PERA DB plan.
- Employees in higher education are not eligible for Retirement Choice and thus participate in the retirement plan sponsored by their institution or become members of the PERA DB plan.
- An employee electing the State DC plan must then choose from three options for their investment lineup: Great-West Retirement Services, ICMA-Retirement Corporation, or The Hartford.

For more information please visit our Web site, www.colorado.gov/dpa/dhr/benefits/retire06.htm, or contact your department's human resource office or benefit administrator.

HealthLine page 7

^{*}Employees hired before January 1, 2006, were automatically enrolled in the PERA DB plan, except for elected and appointed officials.